National Bankers Association
1513 P Street. NW
Washington, D.C. 20005

November 21, 2024

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
via comments@fdic.gov

RE: Comment Request– RIN 3064-AF-99

Dear Mr. Sheesley,

Since 1927, the National Bankers Association has served as the leading trade association and advocate for the country's Minority Depository Institutions (MDIs) and the communities they serve. Our members include Black, Hispanic, Asian, Pacific Islander, Native American, and women owned and operated banks across the country who provide financial services to communities often underserved by mainstream financial institutions. Many of our member institutions are also community development financial institutions (CDFIs).

I am writing today on behalf of our member banks across the United States to express our concern regarding the recent proposal by the Federal Deposit Insurance Corporation (FDIC) to roll back the current rules on brokered deposits. These changes pose significant risks to the vital work our member institutions do to serve underbanked and underserved communities, and ultimately to help eliminate the racial wealth gap.

MDIs play a critical role in providing financial services to communities of color that have historically been overlooked by mainstream banking institutions. Community banks depend on a variety of modern, innovative banking practices to provide stable, diversified streams of capital beyond traditional direct deposits. These practices take into account that people today engage with financial institutions in all manner of ways, including online and via apps, and it is important that regulations continue to take this into account. This funding is essential for MDIs to offer loans, mortgages, and other financial products that support economic growth for small businesses, families, and their larger communities.

The Association's member institutions offer real world examples of this every day. The revised brokered deposit rules promulgated in 2020 assisted MDIs by allowing these institutions to prudently access new, diverse sources of liquidity with definitive clarity around the classification of these deposits. For example, one of our member institutions leveraged a digital deposit service to attract deposits from across the U.S. and deployed those funds efficiently and effectively in its community. With the ability to expand its deposit-taking footprint beyond its local "deposit desert," this MDI was able to responsibly grow, fuel the local economy and extend credit to its customers, who have historically been underserved by the financial community. The proposed changes to this rule will reduce the deposits this MDI can source,

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and, as a result, reduce the capital available to create new jobs, grow businesses and enable first-time homeowners in this underserved community.

Other member institutions have thoughtfully and prudently put in place alternative and contingent liquidity sources, which the FDIC ostensibly supports, precisely to avoid the issues we saw in 2023 with the regional bank failures. These institutions relied on the 2020 rules to test and implement non-brokered funding alternatives that could now be deemed brokered because of something as arbitrary as the fee structure. A volume-based fee helps many of these MDIs and community institutions because they are not saddled with high fixed costs but rather can use such funding sources only as needed.

If this proposed rule goes into effect, the FDIC's overly broad interpretation of deposit brokering makes it nearly impossible for these member MDIs and many other community banks and CDFIs, to strategically leverage innovative funding solutions that support growth, competition and diversification. The availability of contingent funding sources helps ensure that MDIs – which often serve underbanked and underserved communities – continue to have the tools they need to remain strong and healthy. Unfortunately, it is the underserved communities who will ultimately suffer if MDIs' hands are tied when it comes to accessing diverse liquidity sources.

By restricting access to these innovative funding sources, the FDIC will limit the MDIs ability to serve their communities and will tilt the competitive playing field to all but the largest banks. This would result in reduced lending capacity, higher borrowing costs, and ultimately, a decrease in the availability of financial services to those who need them most. For many of our members, access to dynamic banking solutions is not just a matter of business—it's a matter of community survival and success.

If these changes are adopted, they would undermine the ability of MDIs to carry out their mission of bridging the racial wealth gap and advancing financial equity. The FDIC's proposal is antiquated and fundamentally misunderstands how modern community banks interact with a host of stable financial services to build the liquidity they need to operate. We at the National Bankers Association urge the FDIC to reconsider its revisions and instead support the continued strength and sustainability of MDIs, which are essential to the financial well-being of underserved communities across the nation.

Thanks for your consideration.

Sincerely,

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Nicole A. Elam, Esq.
President & CEO